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SUBJECT: DOC 'Clean-Energy' Trade Delegation Visits Guangzhou

¶1. (U) Summary: During meetings with key government agencies in Guangzhou on January 11, Assistant Secretary of Commerce for Market Access and Compliance David Bohigian, along with 16 members of his 'Clean-Energy' Trade Delegation, discussed environmental protection, IPR, energy conservation, monitoring and rule of law, as well as innovation and technology-sharing. The Chinese side welcomed the entry of world class clean energy American companies into the market, though initial conversations between U.S. and PRC companies yielded few concrete results. End summary.

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Economic Development and Environmental Protection  
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¶2. (SBU) On January 11, DOC A/S Bohigian and a Clean Energy Trade Delegation representing 16 US companies met with Guangdong Executive Vice-Governor Huang Longyun and the Development and Reform Commission to discuss the development of an energy-efficient economy in Guangdong province. During the meeting, Governor Huang outlined the province's 2008 development theme, 'Energy Conservation and Emissions Reduction,' with its priority on economic development, environmental protection and energy conservation. Huang noted that during 2007, Guangdong reduced energy consumption per unit by 3%, while also reducing SO2 and CO2 emissions by 3-5%.

¶3. (U) As it works to increase economic development yet protect the environment, Guangdong plans to restrict market access in certain areas (highly polluting industries, for example) and strengthen government monitoring of how these companies comply with government regulations. The Development and Reform Commission has revised its catalogue for 'encouraged' and 'discouraged' sector development, making 'green energy' a part of Guangdong's ever changing energy mix.

¶4. (U) Guangdong currently has a 'green energy' supply shortage and relies on other provinces, like Guizhou and Yunnan, for, among other resources, water which can be used for the development of wind power. The province, Governor Huang noted, is investing in water conservation equipment; he invited U.S. companies to bring their rich technical and management experiences to bear in helping develop this potentially large clean energy market.

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15. (U) The 'Clean-Energy Trade Delegation' also met with the Chinese Academy of Sciences-affiliated Guangzhou Institute of Energy (GIE). The GIE, an advisory board for the government's environmental policy-making efforts, engages in research in renewable energy (biomass, solar, ocean, geothermal), new/alternative energy (hydrogen and natural gas hydrate), and energy efficiency/environmental protection.

16. (SBU) DOC A/S Bohigian said that innovation and intellectual property protection are fundamental to future economic development in China. In response to A/S Bohigian's remarks, Wu Tsongzi, the Institute's biomass expert, assured the delegation that China's government agencies are dedicated to IP protection. Within the Institute itself, multiple efforts have been made to comply with government guidelines and general IPR standards. Wu noted that the difficulty of IPR protection lies in understanding how laws apply across countries. He said that efforts to increase IPR protection will include signing cooperative agreements between partnering corporations and learning more about the practice of IP protection.

17. (U) With regard to innovations in China, the Clean Energy companies highlighted the use of landfills to create renewable energy, specifically with regard to solid waste management. Wu said that waste disposal energy is still in its infancy in China, though he noted the large market potential. Based on Institute analysis, Wu identified characteristics associated with China's waste management system:

- the need for technology diversification to tackle waste conversion,
- restrictions in urban-area land for waste storage (making it necessary to utilize incinerators), and

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3) alternatives for small cities, where incinerators can not be used economically.

18. (U) In response to a question about innovation and technology transfer, A/S Bohigian said we needed to further examine the issue. Innovation and IPR protection should go hand-in-hand.

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#### The Demands of Energy Consumption

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19. (SBU) In a meeting with A/S Bohigian, members of the Guangdong Economic and Trade Commission (ETC) outlined a plan of 'how' to create partnerships and policies that will aid in promoting U.S.-China economic and trade cooperation in accordance with energy-efficiency standards,. According to director Chen Bing, energy conservation is a key challenge. In 2005, energy consumption per unit GDP amounted to 0.7 metric tons of coal. In 2006, this amount was reduced by 2.93%, with an expected reduction of 3.3% (pending final 2007 data). In spite of Beijing's target of reducing per unit consumption by 16% as of 2010, Guangdong's consumption remains high, approximately 2.3 times higher than U.S. consumption. Although Guangdong ranks number one for GDP output in China (latest figure is 1/8 of all China's GDP - up from 1/9 a year ago), its supply of energy, relative to demand is low. To subsidize the shortage, energy sources such as coal and oil are imported from other provinces and from abroad, leaving the province dependent upon external supplies.

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#### Energy Conservation: Monitoring and Rule of Law

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110. (U) To meet these challenges, ETC has implemented a variety of mechanisms to promote energy conservation, including the establishment of a monitoring system and the promotion of rule of law. With regard to monitoring, ETC in 2005 established a leadership group, comprised of 23 representatives from various provincial agencies, to target conservation and environmentally friendly practices. In addition, the Commission instituted a 'per

unit GDP energy response' system.

¶11. (U) ETC also monitors 1,000 high-energy consuming enterprises. These enterprises, which are subject to provincial, municipal, and local supervision, fall into one of six main sectors: power generation, petrochemical, iron and steel, textile, paper making, and building material. Among the 1,000, 25 have signed agreements with the Guangdong provincial government to reduce consumption, 128 have signed similar 'provincial agreements' with the ETC, and 800 remain under city/local supervision. These enterprises are required to undergo energy audits, which the ETC acknowledges is merely an administrative effort. They must also plan their overall energy consumption in coordination with government regulations. By March 2008, the Central Government will also conduct energy conservation appraisals on 1,000 enterprises, 25 of which are located in Guangdong.

¶12. (U) The ETC has made a great effort to strengthen legal accountability. A recently amended version of the Energy Conservation Law has been passed at the state level with regulations regarding penalties for violators. A policy is now being developed to impose mandatory standards for 25 key products in the 6 above-mentioned sectors.

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The Future: More Cooperation and Technology Sharing  
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¶13. (U) ETC future goals include increased international cooperation with individual countries and international organizations as it seeks to promote energy-efficient projects and technology exchange. ETC welcomed cooperation from foreign companies with 'world-class technology' to enter the energy conservation market.

¶14. (U) A/S Bohigian did not have an opportunity to clear this cable.

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